

## Message Text

UNCLASSIFIED

PAGE 01 BONN 19060 01 OF 03 152030Z  
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 USIA-15 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06  
LAB-04 SIL-01 PA-02 PRS-01 AGRE-00 FEA-01 ABF-01  
/110 W

-----002613 152125Z /70

R 151733Z NOV 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 3172  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 19060

USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A  
TAG: ECON, EFIN, GW  
SUBJECT: FINANCIAL DEVELOPMENTS  
(WEEK ENDING NOVEMBER 14)

1. TAX REVENUES CONTINUE TO SOAR:  
THE TREND TOWARD RAPIDLY RISING TAX REVENUES CONTINUED THROUGH  
SEPTEMBER. ACCORDING TO PRELIMINARY STATISTICS RELEASED  
BY THE FEDERAL MINISTRY OF FINANCE, TOTAL PUBLIC SECTOR  
TAX REVENUES IN SEPTEMBER 1977 EXCEEDED COMPARABLE  
1976 LEVELS BY 13.1 PERCENT. DURING THE PERIOD JANUARY -  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 19060 01 OF 03 152030Z

SEPTEMBER 1977, REVENUES WERE 13.2 PERCENT HIGHER THAN  
A YEAR AGO. THE REVENUE GROWTH RATES RECORDED SO FAR  
THIS YEAR COMPARE FAVORABLY WITH OFFICIAL TAX REVENUE  
ESTIMATES. THE LATTER (AS REVISED UPWARD IN AUGUST--  
SEE BONN 14213) PLACE PROBABLE GROWTH IN 1977 AS A  
WHOLE AT 11.8 PERCENT. WHEREAS TAX REVENUES ACCRUING TO  
THE STATES AND MUNICIPALITIES IN THE FIRST NINE MONTHS

OF THIS YEAR EXCEEDED LAST YEAR'S LEVEL BY 15.1. PERCENT  
EACH, FEDERAL TAX REVENUES ROSE BY A MORE MODEST 10.9

PERCENT.

2. FEDERAL EXPENDITURES LAGGING LESS THAN PREVIOUSLY:  
THE PACE OF FEDERAL EXPENDITURES, WHICH HAS BEEN LAGGING  
THROUGH JUNE (SEE BONN 12288), QUICKENED IN SUBSEQUENT  
MONTHS. ACCORDING TO PRELIMINARY FINANCE MINISTRY FIGURES  
SUCH EXPENDITURES DURING THE FIRST NINE MONTHS OF THE  
YEAR EXCEEDED COMPARABLE 1976 LEVELS BY 5.1 PERCENT.  
THIS GROWTH RATE COMES MUCH CLOSER TO THE 5.9 PERCENT  
RISE OVER ACTUAL 1976 OUTLAYS IMPLICIT IN THE APPROVED  
1977 FEDERAL BUDGET THAN THE 2.8 PERCENT YEAR-ON-YEAR  
INCREASE REGISTERED IN JANUARY-JUNE 1977.

3. FOREIGN EXCHANGE MARKET:  
DESPITE CONTINUED BUNDESBANK INTERVENTION IN ITS FAVOR,  
THE DOLLAR WEAKENED ON GERMAN FOREIGN EXCHANGE MARKETS  
DURING THE PERIOD NOVEMBER 8-15. FRANKFURT SPOT AND  
FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

|       | FORWARD DOLLARS |        |                    |                       |
|-------|-----------------|--------|--------------------|-----------------------|
|       | SPOT DOLLARS    |        | (IN PCT PER ANNUM) |                       |
|       | OPENING         | FIXING | CLOSING            | ONE-MONTH THREE-MONTH |
| NOV 8 | 2.2635          | 2.2616 | 2.2580             | - 2.6 - 3.3           |
| 9     | 2.2530          | 2.2531 | 2.2580             | - 2.8 - 3.3           |
| 10    | 2.2620          | 2.2584 | 2.2530             | - 2.9 - 3.3           |
| 11    | 2.2500          | 2.2504 | 2.2510             | - 2.8 - 3.1           |
| 14    | 2.2520          | 2.2490 | 2.2430             | - 3.1 - 3.3           |
| 15    | 2.2485          | 2.2490 | N.A.               | N.A. N.A.             |

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 19060 01 OF 03 152030Z

|       |        |        |        |       |       |
|-------|--------|--------|--------|-------|-------|
| NOV 8 | 2.2635 | 2.2616 | 2.2580 | - 2.6 | - 3.3 |
| 9     | 2.2530 | 2.2531 | 2.2580 | - 2.8 | - 3.3 |
| 10    | 2.2620 | 2.2584 | 2.2530 | - 2.9 | - 3.3 |
| 11    | 2.2500 | 2.2504 | 2.2510 | - 2.8 | - 3.1 |
| 14    | 2.2520 | 2.2490 | 2.2430 | - 3.1 | - 3.3 |
| 15    | 2.2485 | 2.2490 | N.A.   | N.A.  | N.A.  |

4. MONEY MARKET:  
CALL MONEY RATES REMAINED BELOW THE LOMBARD RATE DURING THE  
PERIOD UNDER REVIEW AS DID RATES FOR ONE-MONTH MONEY.  
FRANKFURT INTERBANK MONEY RATES FOR THE PERIOD WERE  
AS FOLLOWS:

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 19060 02 OF 03 152033Z  
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 USIA-15 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06  
LAB-04 SIL-01 PA-02 PRS-01 AGRE-00 FEA-01 ABF-01  
/110 W

-----002637 152126Z /70

R 151733Z NOV 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 3173  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 19060

CALL MONEY ONE-MONTH THREE/MONTH

|       |           |      |      |
|-------|-----------|------|------|
| NOV 8 | 3.85-3.95 | 3.95 | 4.10 |
| 9     | 3.85-3.95 | 3.95 | 4.10 |
| 10    | 3.85-3.90 | 4.00 | 4.10 |
| 11    | 3.75-3.85 | 3.95 | 4.10 |
| 14    | 3.80-3.90 | 3.95 | 4.10 |

5. BUNDESBANK FOREIGN POSITION:

DURING THE PERIOD OCTOBER 24 TO 31 THE BUNDESBANK'S  
NET FOREIGN POSITION REMAINED UNCHANGED AT DM 87.4  
BILLION. SDR HOLDINGS DECLINED BY DM 47 MILLION WHILE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 19060 02 OF 03 152033Z

FOREIGN EXCHANGE HOLDINGS INCREASED BY DM 203 MILLION  
AND FOREIGN LIABILITIES BY ABOUT DM 160 MILLION. DURING  
THE FULL MONTH OF OCTOBER THE BUNDESBANK'S NET FOREIGN  
POSITION INCREASED BY DM 2.5 BILLION DUE TO SUBSTANTIAL  
DOLLAR PURCHASES BY THE BUNDESBANK DURING THE FIRST  
THREE WEEKS OF THE MONTH.  
FOR THE PERIOD OCTOBER 31 TO NOVEMBER 7, THE FOREIGN

POSITION OF THE BUNDESBANK INCREASED BY DM 0.4 BILLION

TO DM 87.8. SDR HOLDINGS DECLINED DM 14 MILLION.  
FOREIGN EXCHANGE HOLDINGS INCREASED BY DM 403 MILLION  
AND FOREIGN LIABILITIES INCREASED BY DM 391 MILLION.

6. BANK LIQUIDITY:

DURING THE SAME PERIOD (OCT. 24-31) BANK LIQUIDITY DECLINED BY DM 3.7 BILLION. THE BASIC FACTOR REDUCING LIQUIDITY WAS A SUBSTANTIAL DM 8.9 BILLION INCREASE IN THE BANK'S RESERVES HELD AT THE BUNDESBANK TO MEET OCTOBER RESERVE REQUIREMENTS. LIQUIDITY WAS FURTHER REDUCED BY THE USUAL INCREASE IN CURRENCY AND CIRCULATION AT THE END OF A MONTH (DM 2.9 BILLION) AND DM 0.4 BILLION OF PURCHASES OF MONEY MARKET PAPER FROM THE BUNDESBANK. THE ONLY FACTOR INCREASING LIQUIDITY WERE USUAL END-OF-MONTHS-PAYMENTS OF PUBLIC AUTHORITIES REDUCING FEDERAL GOVERNMENT ASSETS HELD AT THE BUNDESBANK BY 3.8 BILLION TO DM 1.1 BILLION AND BUNDESBANK ASSETS OF STATE GOVERNMENTS BY DM 5.4 BILLION TO DM 3.5 BILLION. ASSETS OF OTHER PUBLIC AUTHORITIES (MAINLY THE FEDERAL POST OFFICE) INCREASED BY 0.7 BILLION.

THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING LOMBARD BORROWINGS BY DM 3.5 BILLION AND SPECIAL UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 19060 02 OF 03 152033Z

REDISCOUNT BORROWINGS BY DM 0.3 BILLION. AT THE SAME TIME THEY REDUCED NORMAL REDISCOUNT BORROWINGS BY DM 0.2 BILLION. ON OCTOBER 31, THE BANKS' REDISCOUNT BORROWINGS AMOUNTED TO DM 14.7 BILLION, SPECIAL REDISCOUNT BORROWINGS TO DM 5.4 BILLION AND LOMBARD BORROWINGS TO DM 4.2 BILLION. THUS, AT THE END OF OCTOBER, THE BANKS' TOTAL CENTRAL BANK INDEBTEDNESS WAS DM 24.3 BILLION AS COMPARED WITH DM 20.6 BILLION ON OCTOBER 23.

BANK LIQUIDITY DURING THE FIRST WEEK OF NOVEMBER INCREASED BY DM 6.8 BILLION. FACTORS INCREASING LIQUIDITY IN ADDITION TO THE INCREASE IN BUNDESBANK RESERVES WERE A 3.2 BILLION DECLINE IN BANKS' HOLDINGS OF RESERVES AT THE/ BUNDESBANK AND A REDUCTION BY DM 3.7 BILLION OF OFFICIAL ASSETS HELD IN BUNDESBANK ACCOUNTS. A DECLINE OF DM 0.8 BILLION IN CURRENCY IN CIRCULATION AND AN INCREASE IN BUNDESBANK CREDITS TO PUBLIC AUTHORITIES OF DM 1.0 BILLION FURTHER INCREASED LIQUIDITY. THE ONLY MAJOR FACTOR REDUCING LIQUIDITY WAS AN INCREASE

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 19060 03 OF 03 152031Z  
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 SP-02 USIA-15 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06  
LAB-04 SIL-01 PA-02 PRS-01 AGRE-00 FEA-01 ABF-01  
/110 W

-----002629 152125Z /70

R 151733Z NOV 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 3174  
DEPARTMENT TREASURY  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 03 BONN 19060

IN OTHER LIABILITIES BY DM 2.2 BILLION.

THE BANKS USED THE INCREASED LIQUIDITY TO REDUCE THEIR  
SPECIAL REDISCOUNT BORROWINGS BY DM 3.6 BILLION AND  
LOMBARD BORROWINGS BY DM 4.1 BILLION. NORMAL  
REDISCOUNT BORROWINGS INCREASED BY DM 0.9 BILLION.  
THUS AS OF NOVEMBER 7, THE BANKS' CENTRAL BANK  
INDEBTEDNESS AMOUNTED TO DM 17.4 BILLION COMPARED TO  
DM 24.3 AT THE END OF OCTOBER.

7. BUNDESBANK TENDER OF TWO-YEAR BILLS:

THE BUNDESBANK ANNOUNCED THAT ITS OFFER OF TWO-YEAR  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 19060 03 OF 03 152031Z

BILLS RESULTED IN TOTAL SALES OF DM 1,771.5 MILLION  
AT AN AVERAGE DISCOUNT RATE OF 4.30 PERCENT. THIS  
RESULTS IN AN EFFECTIVE YIELD TO MATURITY OF 4.60  
PERCENT.

8. BOND MARKET:

DOMESTIC BOND PRICES WERE RELATIVELY STABLE DURING THE

PERIOD. ACCORDING TO THE PRESS, AVERAGE CURRENT YIELDS  
OF OUTSTANDING DOMESTIC BONDS WERE AS FOLLOWS:

REMAINING MATURITY

(YEARS)      1    3    5    7    9    10

-----

NOVEMBER 4      4.35 5.05 5.55 5.95 6.25 6.30

NOVEMBER 11     4.35 5.10 5.55 5.95 6.25 6.35

9. FOREIGN DEUTSCHEMARK BONDS:

ON THE MARKET FOR FOREIGN DM BONDS THE FOLLOWING WAS  
ANNOUNCED:

EUROPEAN COUNCIL: DM 100 MILLION COUPON; 6.25 PERCENT,  
ISSUE PRICE 100; MATURITY 10 YEARS  
WITH REPAYMENT BEGINNING AFTER FIVE  
YEARS.

COMPANHIA ENERGETICA DE SAO PAULO: DM 150 MILLION,  
COUPON 7.0 PERCENT, ISSUE PRICE 99.5,  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03      BONN 19060 03 OF 03 152031Z

MATURITY 10 YEARS.

AUSTRIAN STATE BANK: DM 180 MILLION, COUPON 5.5 PERCENT,  
MATURITY FIVE YEARS.

ITOH AND CO.: DM 15 MILLION, COUPON 8 1/8 PERCENT,  
MATURITY SEVEN YEARS.

STOESSEL

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 15-Nov-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BONN19060  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770423-0054  
**Format:** TEL  
**From:** BONN USEEC  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19771159/aaaabylh.tel  
**Line Count:** 326  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 37cf641a-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 31-Jan-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 590140  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING NOVEMBER 14)  
**TAGS:** EFIN, ECON, GE  
**To:** STATE TRSY  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/37cf641a-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009